

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

**DEPARTMENT OF TECHNOLOGY
AND INFORMATION**

SUPERCARD

SPECIAL INVESTIGATION

FIELDWORK END DATE: JANUARY 30, 2009

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State of Delaware
Office of Auditor of Accounts
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At a Glance

Working Hard to Protect YOUR Tax Dollars

Why We Did This Review

The Office of Auditor of Accounts (AOA) received a Hotline allegation that Department of Technology (DTI) employees inappropriately used State issued SuperCards for purchases, including food for meetings and first-class travel arrangements.

Background

In July 2001, DTI was formed as a replacement for the former state agency known as the Office of Information Services (OIS). DTI was given the responsibility to build a new organization with a customer service culture and a spirit of collaboration that fosters centralized technology leadership statewide. The mission of DTI is to provide leadership in the selection, development, and deployment of technology solutions throughout the State.

The SuperCard is a credit card contracted by the State of Delaware, through the Department of Administrative Services, with JP Morgan/Chase Bank to provide State agencies and school districts with a VISA card program for procurement and/or travel purchases. Prior to April 1, 2008, the SuperCard credit card was contracted with PNC bank. The program is called SuperCard because one card can be used for purchasing and/or travel options.

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DEPARTMENT OF TECHNOLOGY AND INFORMATION
SUPERCARD

What We Found

For five DTI employees, AOA reviewed 100% of SuperCard purchases made during the period of January 1, 2008 through July 31, 2008. AOA found:

- The allegation is substantiated.
- State funds totaling \$4,909 were used to purchase gift cards for employee recognition. The purchase of gift cards is discouraged by the State's guidelines for employee recognition.
- State funds totaling \$1,008 were improperly used to purchase first-class Amtrak tickets. Subsequent reimbursements for the travel resulted in a net overpayment by the State of \$144.
- Employee recognition meals were not held in a manner to allow for the equal treatment of staff. DTI spent \$442 in lunches for management employees. DTI also spent \$258 in lunches for other groups of employees (e.g. employees who worked on the monthly newsletter).
- DTI does not have a policy that addresses the use of State funds to pay for in-state meals unrelated to training.

What We Recommend

- DTI comply with the State's employee recognition guidelines and discontinue the purchase and distribution of gift cards.
- The former Secretary of DTI reimburse the State \$144 for the remaining cost of first-class travel.
- DTI develop a policy addressing payment for in-state meals.

Please read the complete report for a full list of findings/recommendations and to review DTI's response to our findings.

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AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

ALLEGATION AND BACKGROUND

ALLEGATION

The Office of Auditor of Accounts (AOA) received a Hotline allegation that Department of Technology (DTI) employees inappropriately used State issued SuperCards for purchases, including food for meetings and first-class travel arrangements.

BACKGROUND

In July 2001, DTI was formed as a replacement for the former state agency known as the Office of Information Services (OIS). DTI was given the responsibility to build a new organization with a customer service culture and a spirit of collaboration that fosters centralized technology leadership statewide. The mission of DTI is to provide leadership in the selection, development, and deployment of technology solutions throughout the State.

The SuperCard is a credit card contracted by the State of Delaware, through the Department of Administrative Services, with JP Morgan/Chase Bank to provide State agencies and school districts with a VISA card program for procurement and/or travel purchases. Prior to April 1, 2008, the SuperCard credit card was contracted with PNC bank. The program is called SuperCard because one card can be used for purchasing and/or travel options.

OBJECTIVES, SCOPE, & METHODOLOGY

OBJECTIVES

The objective of the investigation was to determine the propriety of SuperCard purchases, including compliance with Delaware Laws, Executive Orders and the State of Delaware *Budget and Accounting Manual*.

SCOPE

The investigation included a review of 100% of SuperCard purchases for the period of January 1, 2008 through July 31, 2008 for selected employees.

The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

METHODOLOGY

The investigative approach included:

- Interview and inquiry.
- Inspection and confirmation of documentation.

CONCLUSIONS

ALLEGATION

DTI employees inappropriately used State issued SuperCards for purchases, including food for meetings and extravagant travel arrangements.

RESULTS OF TESTING

For five DTI employees, AOA reviewed 100% of SuperCard purchases for the period of January 1, 2008 through July 31, 2008:

Type of Spending	Amount
Gift Cards	\$ 4,909.22
Employee Recognition Supplies	3,300.23
Employee Recognition Luncheons (Members of Management Team)	442.76
Employee Recognition with specific staff	258.25
Conference Expense	10,308.87
Travel	1,380.00
First Class Travel	1,008.00
Insufficient Supporting Documentation	25.00
Supplies	299.06
Recruiting related	1,255.50
Miscellaneous	61.80
Food for employees working overtime	98.20
Total	<u>\$ 23,346.89</u>

DTI did not comply with the Office of Management and Budget (OMB) *Guidelines for the Development and Implementation of Agency Employee Recognition Plans*. The guidelines discourage the purchase and distribution of gift cards for employee recognition. In addition, the guidelines state that all employees should be eligible for awards and no particular employee or group should be favored over another. The purchase of lunch for management and certain teams gives the appearance that certain employees were excluded.

DTI purchased \$1,008 in first-class Amtrak train tickets for travel between Wilmington, Delaware and Washington D.C. AOA found:

- A regular Northeast Regional roundtrip ticket would average \$78 with total train travel time of 3 hours. A roundtrip business class upgrade on the Northeast Regional would cost an additional \$42.
- An Acela roundtrip ticket would average \$258 with total train travel time of 2 hours and 32 minutes. A roundtrip first class upgrade on Acela would cost an additional \$130.
- For approximately 28 minutes less in travel time per roundtrip, DTI spent approximately \$774 in upgraded tickets (this represents the difference between a standard Northeast Regional roundtrip ticket and the amount actually spent by DTI).

CONCLUSIONS

- Two roundtrips that totaled \$660 were reimbursed in full by the National Governors Association (NGA).
- For one roundtrip that totaled \$348, the former Secretary of DTI reimbursed the State \$126. The original travel date was July 30, 2008. The former Secretary reimbursed the State on September 15, 2008. The reimbursement was not made until after DTI was aware that AOA was reviewing the former Secretary's travel expenses. The reimbursement did not cover the total cost between the difference in the most economical means of travel and the upgraded travel, as shown below:

Amtrak Acela Ticket Purchase	\$ 348
Less: Cost of Regular Roundtrip Ticket	<u>78</u>
Subtotal: Overcharge to State for First-Class Travel	270
Less: Reimbursement from Secretary of DTI	<u>126</u>
Total Overcharge to State for First-Class Travel	<u>\$ 144</u>

Note: The overcharge is an estimate based on a December 2008 review of Amtrak pricing due to DTI not providing AOA with the former Secretary's travel itinerary.

CONCLUSION

The allegation is substantiated.

FINDINGS AND RECOMMENDATIONS

Finding #1 – Gift Card Purchases

Criteria

According to the Office of Management and Budget (OMB) *Guidelines for the Development and Implementation of Agency Employee Recognition Plans*:

"Departments and Agencies are encouraged to provide tangible rewards to employees within these guidelines. . . Cash, gift certificates, or gift cards are **not** permitted.

Each department shall develop a written plan, including any division plans, for approval by the Office of Management and Budget. The plan should include a clear statement of agency commitment to recognition and accountabilities to ensure that supervisors and managers are carrying out their responsibilities.

Plans should include a description of:

- Recognition Event(s) planned for the agency and its divisions/sections, if applicable.
- Types of awards employees are eligible to receive.
- Award nomination criteria, procedures, and selection process.
- List of expenditures for all events and awards, including paid days off.
- Any allocation of funds or leave with pay must be specified in detail as part of an approved plan."

Condition

DTI purchased \$4,909.22 in gift cards for employees as employee recognition gifts. DTI submitted a written plan to OMB. The plan detailed various types of gifts, such as trophies, jackets, shirts, frames, food, plaques, etc. However, the plan did not detail that gift cards would be purchased as a recognition gift.

Cause

Management did not comply with OMB guidelines that discourage the purchase of gift cards as a recognition expenditure.

Effect

Failure to follow OMB guidelines resulted in questionable recognition expenditures of \$4,909.22. The purchase of gift cards could result in a taxable event to DTI employees and leads to questions as to why guidelines were not followed.

Recommendation

DTI comply with OMB's *Guidelines for the Development and Implementation of Agency Employee Recognition Plans* and discontinue the purchase and distribution of gift cards. DTI research the tax implications of providing gift cards to employees.

FINDINGS AND RECOMMENDATIONS

Auditee Response

DTI's recognizes OMB's guidelines discourages the use of gift cards. This recommendation was taken into consideration when DTI established its Employee Recognition program. The implications of utilizing gift cards were taken into consideration; however, DTI determined that the value added benefit of such recognition was important.

Finding # 2 – First Class Travel

Criteria

DTI travel policy states, "When it has been determined that rail travel is the most appropriate mode of transportation, the most economical class accommodations shall be used."

Condition

The former Secretary of DTI used his SuperCard to charge \$1,008 in first-class/upgraded Amtrak tickets. Two of the trips were reimbursed 100% by NGA. The remaining first-class travel resulted in an estimated overcharge to the State of \$144. (Note: The overcharge is an estimate based on a December 2008 review of Amtrak pricing due to DTI not providing AOA with the former Secretary's travel itinerary). In addition, there was a 45-day delay from the time of the former Secretary's travel and the time he partially reimbursed the State for the cost of his first-class travel.

Cause

DTI believed that the first-class travel was properly reimbursed by NGA and the former Secretary.

Effect

SuperCard was improperly used to purchase first-class travel, resulting in a net overpayment by the State in the amount of \$144.

Recommendation

The former Secretary reimburse the State \$144 for the remaining cost of first-class travel.

Auditee Response

Any funds that were used to purchase first-class tickets were reimbursed by Secretary Jarrett. As was discussed with the Auditor's Office, this finding is more directed toward the decision to utilize Acela services as opposed to standard train service. Based on the Secretary's schedule and the urgency of the business that needed to be conducted in Washington, D.C., DTI believes the appropriate means of transportation was selected.

Auditor's Comment

AOA requested the itinerary for Secretary Jarrett's travel; DTI was unable to provide it. Hence, there is no evidence to support DTI's comment regarding the Secretary's schedule and urgency of business. Utilizing pricing of the most economical means of train travel, a balance remains of \$144.

FINDINGS AND RECOMMENDATIONS

Finding #3 – Management Employee Recognition Lunches

Criteria

According to OMB's *Guidelines for the Development and Implementation of Agency Employee Recognition Plans*, "Departments are encouraged to develop formal department level award programs (e.g., Employee of the Quarter or Year, Distinguished Service Award, etc.). In setting up and maintaining an awards program, departments shall . . . Ensure that all employees are eligible and that no particular employee or group is favored over another. Equal opportunity to be nominated for and receive awards should be provided to all employees."

Condition

DTI spent \$442 in lunches for management employees. DTI also spent \$258 in lunches for other groups of employees.

Cause

DTI officials indicated that certain management employees are not eligible for many of DTI's recognition awards. As a result, these management employees are provided birthday lunches with State funds. Each of these managers was provided a lunch on their birthday as well as permitted to attend the lunches for the other managers. State funds were used for the attendees.

Effect

The purchase of meals for select employees resulted in the favorable treatment of certain employees.

Recommendation

DTI comply with OMB's employee recognition guidelines.

Auditee Response

Employee recognition is available and is provided to all DTI employees. DTI is a pay-for-performance organization. Monthly, quarterly, and annual recognition is provided to employees for exceptional work. Therefore, the monetary value of recognition received by each employee is not equal. It would be contrary to provide each employee with the same recognition in a pay-for-performance organization. Going forward, this will not be an issue for the Department.

Auditor's Comment

Birthday lunches for management, in which all management employees attend the birthday lunches gives the appearance that lunches were not based on paid for performance but rather based on the employees' positions and birthdays. This results in the favorable treatment of certain employees.

Finding #4 – Overtime Meals

Criteria

The State of Delaware *Budget and Accounting Manual* Section XIII(D)(5) states, "The meal allowance for . . . in-state assignments requiring overnight lodging, and for working before and after hours, shall be established by the agency. As a general rule, such allowances are not encouraged, but may be approved on a case-by-case basis as long as the amount does not exceed the allowances established in Plan A and Plan B."

FINDINGS AND RECOMMENDATIONS

Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), defines control activities as policies and procedures that help ensure management directives are carried out. Managers are responsible for establishing and maintaining internal controls through written procedures. Written procedures are beneficial for the training of current and new employees and are a valuable resource in the event an employee leaves an organization. The procedures should include sufficient information to permit an individual who is unfamiliar with the operations to perform the necessary activities.

Documentation is an important aspect of control and communication. It generally provides (1) an understanding of an entity's objectives, (2) a basis for training new personnel, (3) a means of communicating common information, (4) a source of information about accounting controls, and (5) a source of information that will aid in providing continuity in the event experienced personnel leave.

Condition

SuperCards that were issued to DTI staff were used to purchase meals totaling \$98.20 for staff working overtime hours for year-end closeout. DTI does not have a policy that addresses the use of State funds to pay for in-state meals unrelated to training.

Cause

Management was unaware of the need for a policy.

Effect

Lack of an established policy and procedure could lead to the perception of or the actual unequal treatment of employees.

Recommendation

DTI develop a policy addressing payment for in-state meals.

Auditee Response

DTI does not believe an internal policy regarding in-state meals is necessary. DTI follows Delaware Code section 5112 which prohibits supplying food to employees during their normal working hours. The employees referenced above were working outside of their normal workweek, on the weekend, and therefore were permitted to receive this benefit.

§ 5112. Employees not to be supplied with, nor reimbursed for, food consumed during working hours; exceptions

(a) No full-time employee of the State whose salary is paid by the State shall receive any additional stipend for the purchase of food, be supplied with food or be reimbursed for food that was consumed during normal working hours within the State.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Jack A. Markell, Governor, State of Delaware

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General

Other

The Honorable Jim Sills, Secretary, Department of Technology and Information